

## Message Text

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INFO OCT-01 EUR-12 IO-13 ISO-00 L-03 AGR-05 CIAE-00

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FM SECSTATE WASHDC

TO AMEMBASSY OTTAWA PRIORITY

INFO USMISSION GENEVA

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E.O. 11652: N/A

TAGS:ETRD, CA

SUBJECT: ESCAPE CLAUSE PROCEEDING ON FOOTWEAR

1. ECONOMIC MINISTER COUNSELOR GHERSON OF THE CANADIAN EMBASSY DELIVERED THE FOLLOWING AIDE MEMOIRE TO CARL SCHMIDT, DIRECTOR OF OFFICE OF TRADE, ON APRIL 13. BEGIN TEXT.

THE CANADIAN EMBASSY PRESENTS ITS COMPLIMENTS TO THE DEPARTMENT OF STATE AND HAS THE HONOUR TO REFER TO THE RECOMMENDATIONS OF FEBRUARY 20 BY THE UNITED STATES INTERNATIONAL TRADE COMMISSION TO IMPOSE INCREASED RATES OF IMPORT DUTIES OR A TARIFF RATE QUOTA ON NON-RUBBER FOOTWEAR PRODUCTS.

THE CANADIAN GOVERNMENT WISHES TO DRAW THE ATTENTION OF LIMITED OFFICIAL USE

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THE UNITED STATES AUTHORITIES TO THE IMPORTANT IMPACT THIS

WILL HAVE FOR CANADIAN FOOTWEAR MANUFACTURERS DESPIRE THE SMALL AND DECLINING SHARE OF UNITED STATES IMPORTS REPRESENTED BY CANADIAN SHIPMENTS -- FROM 1.9 PERCENT IN 1970 TO 1.4 PERCENT FOR THE FIRST NINE MONTHS OF 1975. THE CANADIAN SHARE OF THE UNITED STATES APPARENT MARKET OVER THE PAST FIVE YEARS HAS BEEN RELATIVELY STATIC AT A

LEVEL OF ONLY 0.3 PERCENT. INCREASING TARIFFS TO LEVELS RECOMMENDED BY COMMISSIONERS LEONARD, BEDELL AND MOORE WOULD REPRESENT A PROHIBITIVE RESTRICTION ON CANADIAN EXPORTS OF NON-RUBBER FOOTWEAR PRODUCTS TO THE UNITED STATES. THE IMPOSITION OF THE TARIFF RATE QUOTA, AS RECOMMENDED BY COMMISSIONERS MINCHEW AND PARKER, WHILE HAVING A LESSER IMPACT ON EXISTING CANADIAN TRADE, WOULD NEVERTHELESS PRECLUDE ANY GROWTH IN CANADIAN EXPORTS COMMENSURATE WITH EXPANSION OF THE UNITED STATES MARKET. IN THE VIEW OF THE CANADIAN AUTHORITIES EITHER PROPOSAL, IF IMPLEMENTED, WOULD REPRESENT AN UNWARRANTED RESTRICTION ON SUPPLIES FROM CANADA, WHICH IS CLEARLY NOT THE SOURCE OF THE UNITED STATES INDUSTRY'S PROBLEM.

IN THE VIEW OF THE CANADIAN AUTHORITIES, THE IMPOSITION OF ANY TRADE RESTRICTIVE MEASURES ON IMPORTS OF NON-RUBBER FOOTWEAR BY THE UNITED STATES WOULD FURTHER AGGRAVATE THE PROBLEMS OF THE CANADIAN FOOTWEAR INDUSTRY BY CAUSING DIVERSION OF THIRD COUNTRY SHIPMENTS OF FOOTWEAR PRODUCTS TO CANADA WITH MAJOR DISRUPTIVE EFFECTS IN THE CANADIAN MARKET. THIS WOULD BRING PRESSURES ON CANADA TO TAKE RESTRICTIVE ACTION. THE CANADIAN FOOTWEAR INDUSTRY ALREADY FACES AN EVEN GREATER LEVEL OF IMPORT COMPETITION THAN THAT EXPERIENCED IN THE UNITED STATES. IMPORTS REPRESENT 49 PERCENT OF THE CANADIAN APPARENT MARKET COMPARED WITH 45 PERCENT OF THE UNITED STATES APPARENT MARKET.

THE CANADIAN AUTHORITIES ARE ALSO CONCERNED THAT NEW UNITED STATES RESTRICTIONS ON IMPORTS OF NON-RUBBER FOOTWEAR COULD IMPEDE PROGRESS TOWARD OUR MUTUAL GOAL OF SEEKING TRADE LIBERALIZATION IN THE MULTILATERAL TRADE NEGOTIATIONS AND THAT IT COULD LEAD TO RETALIATORY MEASURES BY OTHER GOVERNMENTS WHICH WOULD FURTHER DISRUPT LIMITED OFFICIAL USE

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INTERNATIONAL TRADE. IN ADDITION, SECTION 127 OF THE TRADE ACT OF 1974 WOULD REQUIRE THE PRESIDENT TO RESERVE THESE PRODUCTS FROM TRADE NEGOTIATIONS SHOULD IMPORT RELIEF ACTION BE TAKEN.

THE CANADIAN AUTHORITIES ALSO WISH TO DRAW THE ATTENTION OF THE UNITED STATES AUTHORITIES TO CERTAIN FEATURES IN CANADA-UNITED STATES BILATERAL TRADE. IN CONTRAST TO THE

TO THE RELATIVELY STATIC LEVEL OF CANADIAN EXPORTS OF FOOTWEAR TO THE UNITED STATES, THE VALUE OF UNITED STATES EXPORTS OF THESE PRODUCTS TO CANADA HAS GROWN VERY RAPIDLY -- FROM \$1.4 MILLION IN 1970 TO \$5.4 MILLION IN 1974. THE UNITED STATES NOW SUPPLIES APPROXIMATELY FOUR PERCENT OF THE CANADIAN MARKET COMPARED WITH CANADA'S 0.3 PERCENT SHARE OF THE UNITED STATES MARKET. CANADA IS THE LARGEST SINGLE EXPORT MARKET FOR THE UNITED STATES FOOT-

WEAR INDUSTRY ACCOUNTING FOR 23 PERCENT OF UNITED STATES EXPORTS IN 1974.

IN LIGHT OF THESE CONSIDERATIONS, THE CANADIAN AUTHORITIES WOULD URGE THE UNITED STATES ADMINISTRATION TO AVOID THE IMPOSITION OF ANY RESTRICTIONS ON IMPORTS OF FOOTWEAR FROM CANADA.

END TEXT.

2. IN PRESENTING THE AIDE MEMOIRE, GHERSON STRESSED THAT THE CANADIAN GOVERNMENT WAS UNDER CONSIDERABLE PRESSURE TO GRANT IMPORT RELIEF TO THE CANADIAN FOOTWEAR INDUSTRY AND THAT SHOULD THE U.S. IMPOSE RESTRICTIONS ON FOOTWEAR IMPORTS FROM CANADA GOC WOULD FIND IT VERY DIFFICULT TO RESIST SUCH PRESSURES. KISSINGER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FOOTWEAR, AIDE MEMOIRE, ESCAPE CLAUSE (TARIFF), TARIFF SCHEDULES  
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**Copy:** SINGLE  
**Draft Date:** 14 APR 1976  
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**Disposition Approved on Date:**  
**Disposition Authority:** saccheem  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
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